

Are oil and gas exploration and development regulated by the State of Montana?

Yes. In Montana, all oil and gas exploration and development on state (including state school trust lands) and private lands is regulated and bonded by the Montana Board of Oil and Gas Conservation Commission. For more information, see their website. Oil and gas exploration and development on Federal lands is regulated by the Federal Bureau of Land Management.

Are there laws related to notification and compensation of surface owners for split-estate property?

Yes. Montana has a set of statutes dealing with surface owner notification, mitigation and compensation. See the link, “Statutes and Rules” located in the box, “More about Oil and Gas Leasing.”

Does the State of Montana generate revenue from oil and gas leasing?

Yes. Leasing the state’s school trust lands for oil and gas exploration and development generates rentals and bonuses and, for those leases that contain oil and/or gas, production royalty payments. Royalty payments are a percentage of the gross value of the oil or gas produced and sold. In fiscal year 2008, leasing for oil and gas generated more than \$31 million. Montana’s State Constitution requires that this revenue goes to support K-12 education and other public institutions.

What is a “split-estate?”

A split estate occurs when the right to develop minerals, such as oil or gas deposits, is severed from the surface estate. Therefore, one party may own the right to farm the land, build a house, or graze cattle, while another party may own the right to explore for and produce minerals from that same property. The Montana Environmental Quality Council has put together a “Guide to Split Estates in Oil and Gas Development” with detailed information for surface owners and mineral developers. See the link, “A Guide to Split Estates” located in the box, “More about Oil and Gas Leasing.”

Does state ownership of the oil and gas estate mean there is oil and gas to be developed under that property?

Not necessarily. State ownership of the oil and gas estate merely signifies that the State would own the rights to explore and develop oil and/or gas from the property if it exists. Issuance of an oil and gas lease on state lands indicates a company or individual has some interest in possibly exploring for oil and/or gas under the property. Energy development is often a “hit or miss” proposition. Oil and gas must exist in quantities large enough to support commercial production, and many leases are issued for every one that ultimately proves to be viable. The State of

Montana owns nearly 6.2 million acres of oil and gas estate, but currently has commercial production on fewer than 250,000 acres.

What is the Montana Board of Oil and Gas Conservation? What does it do?

The Montana Board of Oil and Gas Conservation (MBOGC) is a quasi-judicial board whose members are appointed by the Governor. The Board and its staff are responsible for the regulatory oversight of oil and gas activities on both state and privately-owned lands. For more information, please see the MBOGC Web site (<http://mbogc.dnrc.mt.gov>)

What do navigable waterways have to do with oil and gas exploration?

Geology and other factors provide for the possibility that oil and gas may exist at depths from hundreds to thousands of feet below the surface of the earth. The surface sometimes consists of a navigable river. In Montana, the state owns the beds of navigable rivers and the mineral rights below them. Therefore, DNRC will lease oil and gas rights for lands underneath navigable rivers just like we do for other state-owned lands. No drilling is allowed within the riverbed! The oil or gas that may lie below a navigable waterway can be extracted from wells located on upland areas, away from the riverbed on either side. A list of Montana's navigable waterways can be found at this link: <http://dnrc.mt.gov/trust/MMB/NAVWATERSLIST2CONNIE.pdf>

What are lease stipulations?

Stipulations are additional restrictions or requirements that are added to the base oil and gas lease issued by the department to the oil and gas lessee. They are determined by the DNRC based on a pre-lease review of nominated tracts. For example, DNRC's review may find that a serious noxious weed problem already exists on the nominated parcel, and the department may add a stipulation to the oil and gas lease to address that problem. Other stipulations might address the placement on a parcel of drilling equipment or roads, or address wildlife and other natural resource issues.

What are administrative rules?

Administrative rules are adopted by the various state agencies to guide them and the public in the conduct of their agency responsibilities. The DNRC has developed and implemented rules to guide the process of oil and gas leasing. See the link, "Statutes and Rules" located in the box, "More about Oil and Gas Leasing."

How does the DNRC notify the public?

DNRC uses a variety of methods to notify the public of its quarterly oil and gas lease sales. The DNRC Web site contains all available information, including the preliminary and final lists of tracts, lease sale results, a statewide map showing areas where lease nominations have been received, and a calendar of key dates for upcoming lease sales. DNRC also maintains a mailing list and e-mail notification list for anyone interested in receiving this information – see details on the main page if you would like to be added to one of these lists. DNRC also places lease sale advertisements in major daily and some weekly newspapers serving areas of lease activity. We also place an ad in the Rocky Mountain Oil Journal, a trade publication serving individuals and oil and gas companies active in Montana and surrounding states. We maintain a large distribution list of state newspapers and distribute press releases of upcoming lease sales to these outlets. Press releases are distributed to newspapers in time to give the public 30 days to review and comment on tracts nominated for leasing, but may not always appear in a given paper right away.

Does DNRC accept public comments on Oil and Gas lease sales?

Yes. Public comment is an important component of every Oil and Gas lease sale, and there are several ways to do it. Written comments may be sent to Monte Mason, Minerals Management Bureau, Montana DNRC, 1625 Eleventh Avenue, PO Box 201601, Helena, MT 59620-1601. You can also email your comments using the link on the Oil and Gas Leasing Information Web page. All Oil and Gas lease sales must be reviewed and approved by the State Land Board at its monthly meeting, and the Board welcomes public comment prior to making its final recommendation. For information on Land Board meeting dates and to see an agenda for the upcoming meeting, go to <http://dnrc.mt.gov/commissions/Default.asp>